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C O N F I D E N T I A L SECTION 01 OF 02 PANAMA 000204

SIPDIS

DEPARTMENT FOR WHA/CEN/BRIGHAM
USTR FOR AGASH-DURKIN
COMMERCE FOR USDOC4332/ITA/MAC/WH/OLAC/MGAISFORD

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TAGS: PREL PGOV ETRD ECON PM POL CHIEF

SUBJECT: PANAMA PRESIDENT MOSCOSO DISCUSSES BILATERAL TRADE, PASSENGER VESSEL SERVICES ACT (PVSA) WITH SPECIAL ENVOY OTTO REICH

REF: A. 03 PANAMA 00722
1B. 03 PANAMA 02382

Classified By: AMBASSADOR LINDA WATT FOR REASONS 1.5 (B) AND (D).

SUMMARY

11. (C) On January 21 Special Envoy for Hemispheric Initiatives Otto Reich, accompanied by Ambassador Watt, met with Panama President Mireya Moscoso. Flanked by Foreign Minister Harmodio Arias and Commerce and Industries Minister Joaquin Jacome, Moscoso pushed an April 2004 start date for the bilateral FTA talks. The Ambassador told President Moscoso that a Commerce Dept. team would conduct research in Panama during January 27-30 on the economic effects of granting distant foreign port status to Panama under the Passenger Vessel Services Act (PVSA). Moscoso said that Cuban President Fidel Castro (and Venezuelan President Hugo Chavez) would likely attend the February 2004 Panama meeting of the Association of Caribbean Nations, although Castro had been asked not to come. Minister Jacome said a large investment by Dell Computers is imminent, adding to its existing call center. End Summary.

FTA

12. (SBU) President Moscoso pressed Special Envoy Otto Reich and Ambassador Watt for an April 2004 start date for the bilateral free trade agreement talks (that is, prior to the May 2 national election) in a January 21 meeting. Amb. Reich replied that USTR had agreed to hold the talks the second quarter, which means they could start any time between April and June. Minister Jacome confirmed that no specific date for the talks has been chosen.

PVSA

13. (SBU) When President Moscoso urged a modification to the Passenger Vessel Services Act (PVSA) to grant Panama "distant foreign port" status, Amb. Watt explained that a Commerce Dept. team would be in Panama January 27-30 to conduct research on the economic effects of changing Panama's status. The results of that research will help the USG make a determination on PVSA.

Investment

14. (SBU) Investor interest in Panama is rising, Minister Jacome told Ambassador Reich, and Americans are buying real estate in Boquete, Chiriqui (in western Panama). Jacome added that the Bell South and Manzanillo International Terminal (MIT) investment disputes are close to being resolved. Recently, five cruise ships docked in Panama on the same day, he added, showing that Panama is growing in popularity as a tourist destination. Panama expects 4% growth this year, fueled by tourism and construction. Amb. Reich said he had noticed a big change in Panama City's skyline since his last visit 10 years ago. Jacome said that chances are good that Dell Computer soon would decide to rapidly increase its call-center personnel and make a significant new investment.

Drug Lord Arrest

15. (SBU) Amb. Watt thanked President Moscoso for Panama's excellent cooperation with Embassy and U.S. law enforcement

officials in the recent arrest and deportation of Colombian kingpin Archangel de Jesus Henao Montoya, wanted in New York on drug charges. (Note: Henao Montoya has been described as one of the Hemisphere's leading drug lords.)

Castro, Chavez Visit

16. (C) Cuban President Fidel Castro (and Venezuelan President Hugo Chavez) likely will attend the February 13-14 Caribbean Heads of State Summit (Association of Caribbean States) meeting, President Moscoso said, although Foreign Minister Arias said Panama had asked Castro not to come. President Moscoso and FM Arias agreed that Venezuela is becoming "more like Cuba."

Trial of Anti-Castro Cubans

17. (SBU) Arias added that Panama's Miami consulate had been picketed more than once by anti-Castro demonstrators demanding the release of four anti-Castro Cubans soon to be tried in Panama for conspiring to murder Castro in Panama during the November 2001 Ibero-American Summit. The accused are Luis Posada Carriles, Gaspar Jimenez Escobedo (AmCit), Guillermo Novo Sampol (AmCit), and Pedro Remon Rodriguez (AmCit). (Note: Panama considers Posada Carriles to be a Cuban citizen.) The first hearing in the trial, subject to constant delays, was held September 5, 2003. (See Reftels A and B). Panama has rejected Cuban demands for extradition.

18. (U) Special Envoy Reich did not have the opportunity to clear this message.

WATT